



**CITY OF SCOTTSDALE
TOURISM DEVELOPMENT COMMISSION
REGULAR MEETING**

Tuesday, February 19, 2013

**Pinnacle Conference Room at Human Resources
7575 E. Main Street
Scottsdale, Arizona 85251
APPROVED MINUTES**

PRESENT: Michael Hoffmann, Chairman
Kathleen Glenn, Vice Chairwoman
Ace Bailey, Commissioner
Tom Enders, Commissioner
Ren Hirose, Commissioner
Robert McCreary, Commissioner
David Scholefield, Commissioner

STAFF: Steve Geiogamah
Rob Millar
Holli Shannon
Paul Katsenes
David Smith
Lee Guillory
Kroy Ekblaw
Cindy Eberhardt
Derek Earle
Bill Peifer
Jack Shafer
Robin Rodgers

GUESTS: Rachel Sacco, SCVB
Caroline Stoeckel, SCVB
Paul Messenger, SMoW
Ned O'Hearn, SMoW
Jim Bruner, SMoW
Mike Fox, SMoW
Jason Rose
Sarah Jane

1. **Call to Order/Roll Call**

Noting the presence of a quorum, Chairman Hoffmann called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:00 a.m.

2. **Approval of Minutes**

- January 15, 2013 Meeting

COMMISSIONER BAILEY MOVED TO APPROVE THE MINUTES OF THE JANUARY 15, 2013 TOURISM DEVELOPMENT COMMISSION MEETING AS PRESENTED. COMMISSIONER MCCREARY SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

3. **Staff Liaison's Report**

- a. Staff Bed Tax Collection Report

Mr. Geiogamah reported that bed tax collections for activity through December were down 1%. Miscellaneous retail sales tax were down 5%. Resorts year to date were down 4.5%, while full service hotels were up 3.8%.

- b. Bed Tax Proforma

Mr. Geiogamah reported no substantial changes to the proforma other than updated monthly expense numbers.

- c. Smith Travel Report

Mr. Geiogamah stated that occupancy year to date is 62%, a slight increase. The average daily rate is up \$145.65 YTD, and RevPAR is \$90.00. Group business is up 3.5% through December.

Rachel Sacco said the metrics over the past year revealed no consistent narrative, and contain many anomalies. Some months were strong for some properties and others were not. The SCVB is working with STR to make sense of the data, and to determine why the recovery has been so slow.

- d. Program Updates

Mr. Geiogamah reported that the Five Year Tourism Development Strategic Plan was presented to City Council on February 12.

1) Trolley Program

Mr. Geiogamah reviewed the Transportation Department report on Hospitality Trolley ridership. Total monthly boardings for January appear to be down compared to last year. Commissioner Scholefield noted that only four days of data were reported for Barrett-Jackson this year, instead of the seven days reported in previous years. In response to an inquiry from Commissioner Scholefield, Mr. Geiogamah said trolley

banners will be reinstalled following the conclusion of the Arabian Horse Show. Carolyn Stoeckel said the trolley promotion campaign will continue through March. The SCVB has received constant requests for route brochures, and a second batch was printed.

Commissioner Scholefield asked whether sponsoring merchants provided any feedback on ridership activity. Rob Millar responded that staff will conduct rider and sponsor surveys in March. Once that data has been analyzed, staff will present recommendations on how to move forward with the program. Commissioner Hirose suggested email blasts to remind visitors of the trolley, and a smart phone app to provide instant arrival information.

2) Desert Discovery Center

Kroy Ekblaw reported that the Desert Discovery Center Phase III Subcommittee reconvened last week for the first in a short series of meetings. Staff released a Request for Proposals last September, but none were submitted. The Committee plans to review project cost, scope, and phasing. They will also consider several alternative locations in response to concerns raised by the McDowell Sonoran Preserve Commission over use of the Gateway. Chairman Hoffmann invited Mr. Ekblaw to the March meeting for an in-depth presentation on the DDC for the benefit of the new TDC members.

4. Tony Nelssen Equestrian Center at WestWorld

Paul Katsenes reported that 15 new shows have been booked at TNEC for a total of \$362,000 in new show revenue. Staff has also identified 13 prospective shows, both equestrian and non-equestrian events. Six of those are pricing out at roughly \$100,000. City Management will soon decide whether to expand the scope of the consultant's task. Construction on TNEC is under way. The North Hall is expected to open in December of 2013, and Barrett-Jackson intends to hold next year's auction in the new building. The tent will remain in place temporarily as a backup.

Chairman Hoffmann inquired about the number of new shows from out of state. Mr. Katsenes said all nine new horse shows are. The six non equestrian shows are regional draws minimally. Commissioner Enders asked about the origins of the show leads. Mr. Katsenes explained that some came through outreach, while other shows have recognized the progress in the facility. Commissioner Glenn noted doubts that equestrian events generate much lodging business, since many participants bring their own trailers. Mr. Katsenes agreed that that might be the case at the lodging level, but there is a bigger impact at the retail and restaurant level. The consultant will help identify the value of each type of show overall.

Chairman Hoffmann requested a future update on measures taken to ensure that TNEC is able to attract tourism-driven events. He noted the TDC's concern that no booking manager has been hired yet, even though the Commission made a recommendation over a year ago.

5. Horse & Horse Power Event Proposal

Jason Rose stated that last year's Horse & Horsepower was America's largest single-day polo event, with over 9,000 in attendance. It also served as a sneak preview event for Barrett-Jackson and the Arabian Horse Show. Barrett-Jackson and Scottsdale Ferrari Maserati have decided to increase their level of involvement this year. The goal for 2012 was to create a high-energy, Fiesta Bowl-like event for polo, unlike anything else in the country. In return for the City of Scottsdale's \$75,000 investment, the event provided \$1.4 million in marketing value. The business plan projects attendance to reach 15,000 people this year, and 20,000 in the fourth year.

Mr. Rose said Horse and Horsepower fits perfectly with Scottsdale's sports, recreation, and western promotional categories, and showcases WestWorld as a premier equestrian facility. The Scottsdale event was featured in *Polo Times*, a magazine with worldwide distribution. It will move this year to coincide with the start of Race Week at Phoenix International Raceway (PIR), which is a major sponsor. The United States Polo Association has committed to holding their 2014 Annual Meeting in Scottsdale to coincide with H&H, producing about 600 direct room nights. Event producers will work with the SCVB to source a lead for the host hotel.

Mr. Rose reviewed plans for the 2013 event. The three-match tournament format will expand to two days. The title match is between the United States Military Polo Team and the Wales Polo Club. Work to Ride will play against the University of Virginia. Sunny Hale, the top female polo player in the U.S., will lead an all women's team against the Arizona Polo Club. On Friday afternoon, there will be an All-Star match followed by an equestrian-oriented fashion show.

Mr. Rose said last year's event budget was \$210,000, and is expected to grow to \$300,000 this year. Wrightway Polo will provide the horses. Casey McDonald and Taryl O'Shea will handle operations. The marketing outreach will be significant. Fox Sports will produce a TV show for national broadcast. Mr. Rose requested the same amount of support from the TDC as last year. A delay in funding support would hamper the ability of the event to deliver to its fullest potential.

Mr. Geiogamah noted that the marketing consultant reviewed the proposal and recommended moving forward with the funding recommendation of \$75,000. Vice Chairwoman Glenn said the event organizers responded to all of the concerns raised by the TDC last year.

COMMISSIONER SCHOLEFIELD MOVED TO SUPPORT THE HORSE AND HORSEPOWER EVENT FOR \$75,000 FOR ONE ADDITIONAL YEAR, WITH THE OPPORTUNITY TO REVISIT THE ISSUE NEXT YEAR. COMMISSIONER ENDERS SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

6. SCVB Second Quarter Performance Measures Report

Mr. Geiogamah reviewed the Second Quarter Performance Measures Report for the SCVB. All 16 measurements are being met. Ms. Sacco added that marketing and convention sales are exceeding where they were last year, with nearly \$124 million in projected economic impact from marketing, and almost \$33 million worth of confirmed

bookings into Scottsdale area resorts. The SCVB is developing a program of work for FY2013/14, which will incorporate recommendations from the Five-Year Strategic Plan.

New initiatives this year are to wrap the interiors and exteriors of three New York City subway cars with Scottsdale-themed imagery. These trains travel through Grand Central Station and carry 100,000 riders per day. The Denver light rail line is similarly being wrapped in a Cactus League theme. The Weather Channel in Canada compares winter temperatures in Canadian cities with the current temperature in Scottsdale.

7. Preliminary FY2013/14 Destination Marketing Program Objectives

Mr. Geiogamah invited TDC feedback regarding the SCVB objectives for the next fiscal year. City Financial Services estimates that \$13.9 million will be available in bed tax dollars, of which \$6.9 million will be available to the SCVB for their program of work. SCVB objectives include marketing, communications, convention sales and services, and tourism. The Commission will have an opportunity to review a draft of the Destination Marketing Plan at the March 19 meeting.

Commissioner Scholefield inquired whether the SCVB's revised Strategic Plan would require extra funding. Ms. Sacco responded that the program of work will be tweaked to respond to the customer base, but will still operate within the same budget framework. If it becomes apparent that the suggested activities from the Five Year Strategic Plan will chip into existing funding, the SCVB will revisit the matter with the TDC.

Commissioner Bailey inquired about the full-service visitor center. Ms. Sacco explained that the lease terms for the current SCVB location prevents it from being open seven days a week. One seven-day location is open at Scottsdale Fashion Square, but the SCVB would like to add another full-service visitor center downtown.

8. Overview of the City's Event Funding Programs

Mr. Geiogamah requested two TDC representatives who would work with staff to make recommendations regarding the Event Funding Program. Commissioners Enders and Scholefield volunteered.

9. Museum of the West Project – Funding Request

Rob Millar said the Western Museum Management Agreement will go before the City Council on February 26. The museum idea originated 30 years ago when community members formed a vision to build a western museum to protect, preserve, and promote Scottsdale's western heritage. Last May, the City issued an RFQ for a manager to operate a City-owned museum. One submission was received from the Scottsdale Museum of the West (SMoW). The museum is proposed for Second Street and Marshall. City Council directed staff to put together financial scenarios for the capital and TI costs, and begin putting together a framework for an operating agreement with the SMoW.

Mr. Millar said ConsultEcon tested SMoW's market conditions and operating plan assumptions. They will address their findings to City Council next week. Their report says the museum is well positioned in the growing Phoenix area. Visitation potential

ranges from 87,000 to 118,000. Year five is assumed the stabilization year. Operating potential is expected to be \$2.8 million in earned revenues. Estimated expenses range from \$2.2 million in year one to \$2.8 million in year five. ConsultEcon did significant benchmarking with comparable facilities to test their assumptions.

Mr. Millar said the management agreement says SMoW will be involved in the design and construction of the museum. They are responsible for contracting and managing exhibits, securing permanent art collections and long-term collection loans. Any future naming rights would go before the City Council for review and approval. The museum has to be open a minimum of 300 days per year, and open during Art Walk. They will establish a gift shop and retail operations. Fifteen percent of the governing board must consist of City representation. The initial term of the agreement is for ten years, with three ten-year extension options. SMoW is responsible for fundraising, developing a matching grant program, salaries, and developing a \$500,000 letter of credit by year five.

The City would build the facility. The Federal Transit Authority has agreed to convey interest in the Loloma Transit Center to the Thomas Road improvements. Staff recommends a \$400,000 annual matching grant program. If SMoW reaches their development goals annually, then no money would be allocated.

City Treasurer David Smith said the City would fund the \$13.6 million for the construction of the museum and the cultural plaza. It would take about \$1 million of debt service per year for 20 years to cover the debt. This amount could be reduced to \$900,000 if the financial policy requiring a debt service reserve is waived. City Council has already reserved a \$600,000 wedge of the bed tax fund for the western museum project. An additional \$400,000 wedge is expected to become available next year due to new growth. If the City provides matching money for funds raised by the museum from the private sector, it would ensure the success of the museum, particularly during the formative first five years.

Mr. Smith said the bed tax fund will have a lot of unspent carryover both this year and next. Most of the \$600,000 wedges reserved for this year are not actually being spent, leaving about \$2 million available this year. That money could be swept to provide the five-year matching fund support for the museum.

Commissioner Scholefield inquired about parking access. Mr. Millar explained that an underground parking structure was built in anticipation of a western museum at some point. The development process ensures that adequate parking and transportation will be available.

Chairman Hoffmann encouraged the museum to build a finishing kitchen large enough to accommodate catering for corporate events, which can generate significant revenue and exposure. He inquired why the museum and plaza have been divided into two projects. Mr. Millar responded that since one bed tax allocation has already been dedicated to the museum, separating the plaza would allow dedication of another allocation. Mr. Bruner explained that the plaza would make the project more attractive and increase its visibility on the art gallery walkway. The amphitheater and sculpture garden would help make the project more viable. Mr. Smith noted that the City has a financial policy of only spending one bed tax wedge on a particular project. Separation of the two projects would allow this to happen without waiving the policy.

Vice Chairwoman Glenn said the worst case scenario would be for the operating agreement to end after ten years, leaving the City stuck paying for a building for another ten years. Mr. Millar responded that the agreement lays out many worst-case scenarios and contains provisions that protect the City. If SMoW decides it cannot operate any longer, the City would still own the museum building and could issue another solicitation to find another operator. Vice Chairwoman Glenn asked whether the operator is subject to a baseline performance. Mr. Millar explained that they are required to be self-sufficient, and must regularly update the City. They either need to meet their own objectives in terms of attendance and staffing, or adjust their budget accordingly.

Rachel Sacco said Scottsdale needs a western museum to differentiate itself as a place in the west with a strong history and culture. The operators have connections in the art community who would bring new attractions into the community. The carryover allows the City to build something that would benefit tourism. Commissioner Hirose said the museum would also serve as a good venue for group events, which are currently in short supply downtown.

Paul Messenger said the museum is designed as a highly interactive attraction where technology will be used to tell stories. The experience will constantly change. The museum will reinforce the art galleries, and help visitors find a connection to the west. It will lengthen the time tourists stay in Scottsdale, and boost merchant sales. Commissioner Bailey agreed that the museum would create a solid focus to anchor the downtown area.

Vice Chairwoman Glenn said she supports the museum vision, but expressed concern that bed tax dollars will be used to fund a building, which alone cannot generate tourism revenue. She felt General Fund money should be used on the building, while bed tax dollars be used to support the museum itself. She suggested modifying the overhead to indicate that the TDC has recommended reserving an allocation for the Desert Discovery Center.

COMMISSIONER SCHOLEFIELD MOVED TO ENDORSE THE SCOTTSDALE MUSEUM OF THE WEST. COMMISSIONER BAILEY SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

COMMISSIONER BAILEY MOVED TO SUPPORT FUNDING THIS PROJECT AS PROPOSED. COMMISSIONER HIROSE SECONDED. THE MOTION CARRIED BY A VOTE OF FIVE (5) TO TWO (2), WITH COMMISSIONERS GLENN AND HOFFMANN DISSENTING.

10. Civic Center Master Plan RFQ Update

Robin Rodgers, Project Manager, provided an update on the Civic Center Infrastructure Assessment and Master Plan Project. An RFQ has been issued and statements of qualification are due today. The preliminary design and construction budget is estimated at between \$8 million and \$10 million. The goal is to present a contract to City Council in April. Mr. Millar requested bed tax money to help hire the consultant for the preliminary work.

Vice Chairwoman Glenn questioned whether the project was an appropriate use for the bed tax. Without backup space to rely on in inclement weather, it will have limited appeal for corporate events. Festivals are local draws. Chairman Hoffmann felt it was more of a cultural asset than a tourism driver. Mr. Millar responded that if the Mall were laid out properly, it would attract the type of large-scale events and tourism initiatives that Scottsdale has had to turn away in the past. He proposed a future agenda item to explain further the merits of the project.

Commissioner Scholefield said the TDC might still opt to reject the use of bed tax in the future, but the Commission should at least be involved in the process of shaping the project from the early stages.

COMMISSIONER BAILEY MOVED TO HAVE THE TOURISM DEVELOPMENT COMMISSION CONTINUE TO BE INVOLVED IN THE CONVERSATION REGARDING THE CIVIC CENTER PLAZA UPDATE PLAN. COMMISSIONER SCHOLEFIELD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

11. Identification of Future Agenda Items

Mr. Geiogamah said the City would begin accepting nominations to fill Chairman Hoffmann's position on March 5.

12. Public Comment

There were no public comments.

13. Adjournment

The meeting adjourned at 10:07 a.m.

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